Dipaleseng Local Municipality 2024
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Dipaleseng Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
The following is included in the scope of operation	Rates and waste management, Local Economic Development projects,Poverty alieviation,Planing and promotion of intergrated plan,Land , economic and environmental development.
Mayoral committee	The manadate of the municipality is interms of section 152 of the Constitution of South Africa.
Executive Mayor	Councillor: KB Moeketsi
Speaker	Councillor: XS Shozi
Chief Whip	Councillor: TG Shabalala
Councillors	Councillor: MG Miya (Member of Mayoral Commitee)
	Councillor: AN Carrim (Member of Mayoral Committee)
	Councillor: MD Makhoba (MPAC Chairperson)
	Councillor: LK Dhladhla
	Councillor: CDV Pienaar
	Councillor: AS Nhlapo
	Councillor: RA Motakane
	Councillor: ZE Maya
	Councillor: Z Radebe
Grading of local authority	2
Chief Finance Officer (CFO)	Mr MH Thokoane
Accounting Officer	Mr L Cindi
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Bankers	First National Bank South Africa
Auditors	Auditor General South Africa Registered Auditors
Audit and Performance Committee	SJ Masite - Chairperson L Langalibalele - Member D Thwala - Member LS Mofokeng - Member
Risk management & ICT Committee	LS Mofokeng - Chairperson

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SA GAAP	South African Statements of Generally Accepted Accounting Practice

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The standards considered and applied are listed in pages 43 - 45.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality..

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 29 and 30 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Mr L Cindi

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 628 552 963 and that the municipality's total assets exceed its liabilities by R 628 552 963.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

3. Subsequent events

On the 15th of November 2024, a court ruling by the Balfour Magistrate court was handed down which saw Dipaleseng Local Municipality being charged with contravention of environmental laws. The municipality was fined a total sum of R 160 000 000 (One hundred and sixty million rands). The court ruled that the monies will need to be used to rehabilitate the municipality's Balfour waste water treatment works plant and accompanying equipment and structures by way of procuring adequate services and supplies from qualifying contractors. The municipality is to further utilize the imposed fine for the urgent and necessary repairs on or before December 2028.

4. Accounting policies

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The accounting policies in pages 14 - 42 were applicable in the year under review. There were no changes in the accounting policies in the year under review.

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr L Cindi

6. Corporate governance

The Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Accounting Officer's Report

. Corporate governance (continued)

Audit and performance committee

J Masite was the chairperson of the audit and perfomance committee for the year under review

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

7. Bankers

The municipality has its primary bank account with First National Bank.

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the on 31 August 2024 and were signed on its behalf by:

Mr L Cindi

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	12	4 374 631	13 367 392
Receivables from non-exchange transactions	11	43 848 862	45 372 910
Receivables from exchange transactions	10	183 286 492	150 810 476
Inventories	9	161 560	173 426
VAT receivable	44	7 539 745	-
		239 211 290	**209 724 204**
Non-Current Assets			
Investment property	3	39 356 091	39 160 290
Property, plant and equipment	4	1 058 333 392	951 554 913
Intangible assets	5	88 868	92 428
		1 097 778 351	**990 807 631**
Total Assets		**1 336 989 641**	**1 200 531 835**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	540 933 683	419 357 916
VAT payable	16	-	81 649
Consumer deposits	17	3 007 024	2 944 247
Employee benefit obligation	6&7	787 000	799 000
Unspent conditional grants and receipts	13	-	5 750 000
		544 727 707	**428 932 812**
Non-Current Liabilities			
Employee benefit obligation	7	14 978 000	14 594 000
Other financial liabilities	43	-	4 509 529
Provisions	14	148 730 980	142 089 833
		163 708 980	**161 193 362**
Total Liabilities		**708 436 687**	**590 126 174**
Net Assets		**628 552 954**	**610 405 661**
Accumulated surplus		628 552 963	610 405 661
Total Net Assets		**628 552 963**	**610 405 661**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	19	1 310 563	1 215 142
Service charges	20	142 324 685	130 258 710
Rental of facilities and equipment	21	444 781	282 299
Licences and permits	23	3 632 434	5 456 743
Interest received - investment	25	469 685	685 372
Fair value adjustments		195 801	767 849
Actuarial gains	7	1 743 000	1 616 000
Interest received - receivables from exchange transactions	25	10 689 901	14 245 337
Total revenue from exchange transactions		**160 810 850**	**154 527 452**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	37 442 249	30 314 274
Interest - Taxation revenue		33 672 438	30 772 811
Transfer revenue			
Government grants & subsidies	27	136 527 000	139 047 001
Public contributions and donations	28	129 716 617	69 082 942
Fines, Penalties and Forfeits	22	1 610 577	2 882 970
Total revenue from non-exchange transactions		**338 968 881**	**272 099 998**
Total revenue	18	**499 779 731**	**426 627 450**
Expenditure			
Employee related costs	29	(84 696 035)	(76 483 097)
Remuneration of councillors	30	(6 993 098)	(5 748 032)
Depreciation and amortisation	31	(28 576 877)	(28 356 300)
Impairments	32	(5 194 802)	(17 287 939)
Finance costs	33	(36 001 050)	(36 118 837)
Lease rentals on operating lease	24	(443 811)	(602 308)
Debt Impairment	34	(86 698 352)	(175 308 286)
Bulk purchases	35	(98 064 910)	(89 614 975)
Contracted services	36	(65 801 439)	(54 229 474)
Loss on disposal of assets and liabilities		(2 662 977)	(1 757 008)
Inventory consumed		(40 231 542)	(65 942 969)
General Expenses	37	(26 267 536)	(23 683 950)
Total expenditure		**(481 632 429)**	**(575 133 175)**
Surplus (deficit) for the year		**18 147 302**	**(148 505 725)**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	792 007 274	792 007 274
Adjustments		
Prior year adjustments 48	(33 095 888)	(33 095 888)
Balance at 01 July 2022 as restated*	**758 911 386**	**758 911 386**
Changes in net assets		
Surplus for the year	(148 505 725)	(148 505 725)
Total changes	(148 505 725)	(148 505 725)
Restated* Balance at 01 July 2023	**610 405 661**	**610 405 661**
Changes in net assets		
Surplus/(Deficit) for the year	18 147 302	18 147 302
Total changes	18 147 302	18 147 302
Balance at 30 June 2024	**628 552 963**	**628 552 963**

Note(s)

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		28 845 993	15 675 343
Sale of goods and services		214 347 933	113 643 837
Grants		136 527 000	208 315 703
Interest income		469 685	685 372
		380 190 611	338 320 255
Payments			
Employee costs		(91 084 911)	(81 041 312)
Suppliers		(118 887 927)	(105 493 609)
Finance costs		(36 001 050)	(36 118 837)
		(245 973 888)	(222 653 758)
Net cash flows from operating activities	40	**134 216 723**	**115 666 497**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(143 209 484)	(109 520 129)
Net cash flows from investing activities		**(143 209 484)**	**(109 520 129)**
Net increase/(decrease) in cash and cash equivalents		**(8 992 761)**	**6 146 368**
Cash and cash equivalents at the beginning of the year		13 367 392	7 221 024
Cash and cash equivalents at the end of the year	12	**4 374 631**	**13 367 392**

The accounting policies on pages 14 to 41 and the notes on pages 42 to 107 form an integral part of the annual financial statements.

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	37 171 000	-	37 171 000	-		37 171 000	37 442 249		271 249	101 %	101 %
Service charges	155 303 000	-	155 303 000	-		155 303 000	142 324 685		(12 978 315)	92 %	92 %
Investment revenue	45 992 000	-	45 992 000	-		45 992 000	11 159 586		(34 832 414)	24 %	24 %
Transfers recognised - operational	104 024 000	-	104 024 000	-		104 024 000	109 774 000		5 750 000	106 %	106 %
Other own revenue	11 721 000	-	11 721 000	-		11 721 000	172 326 211		160 605 211	1 470 %	1 470 %
Total revenue (excluding capital transfers and contributions)	**354 211 000**	**-**	**354 211 000**	**-**		**354 211 000**	**473 026 731**		**118 815 731**	**134 %**	**134 %**
Employee costs	(71 924 000)	-	(71 924 000)	-	-	(71 924 000)	(84 696 035)	-	(12 772 035)	118 %	118 %
Remuneration of councillors	(6 448 000)	-	(6 448 000)	-	-	(6 448 000)	(6 993 098)	-	(545 098)	108 %	108 %
Depreciation and asset impairment	(89 450 000)	-	(89 450 000)			(89 450 000)	(33 771 679)	-	55 678 321	38 %	38 %
Finance charges	(16 990 000)	8 000 000	(8 990 000)	-	-	(8 990 000)	(36 001 050)	-	(27 011 050)	400 %	212 %
Inventory consumed and bulk purchases	(111 980 000)	-	(111 980 000)	-	-	(111 980 000)	(42 906 708)	-	69 073 292	38 %	38 %
Other expenditure	(52 220 000)	(8 000 000)	(60 220 000)	-	-	(60 220 000)	(276 699 835)	-	(216 479 835)	459 %	530 %
Total expenditure	**(349 012 000)**	**-**	**(349 012 000)**	**-**	**-**	**(349 012 000)**	**(481 068 405)**	**-**	**(132 056 405)**	**138 %**	**138 %**
Surplus/(Deficit)	**5 199 000**	**-**	**5 199 000**	**-**		**5 199 000**	**(8 041 674)**		**(13 240 674)**	**(155)%**	**(155)%**

Statement of Comparison of Budget and Actual amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	36 705 000	-	36 705 000	-		36 705 000	26 753 000		(9 952 000)	73 %	73 %
Surplus (Deficit) after capital transfers and contributions	**41 904 000**	**-**	**41 904 000**	**-**		**41 904 000**	**18 711 326**		**(23 192 674)**	**45 %**	**45 %**
Surplus/(Deficit) for the year	**41 904 000**	**-**	**41 904 000**	**-**		**41 904 000**	**18 711 326**		**(23 192 674)**	**45 %**	**45 %**
Capital expenditure and funds sources											
Total capital expenditure	36 705 000	-	36 705 000	-		36 705 000	36 509 000		(196 000)	99 %	99 %
Financial position											
Total current assets	424 909 000	-	424 909 000	-		424 909 000	239 211 290		(185 697 710)	56 %	56 %
Total non current assets	885 263 000	-	885 263 000	-		885 263 000	1 097 778 352		212 515 352	124 %	124 %
Total current liabilities	(162 001 000)	-	(162 001 000)	-		(162 001 000)	(544 727 708)		(382 726 708)	336 %	336 %
Total non current liabilities	(155 964 000)	-	(155 964 000)	-		(155 964 000)	(163 708 980)		(7 744 980)	105 %	105 %
Community wealth/Equity	992 207 000	-	992 207 000	-		992 207 000	628 552 954		(363 654 046)	63 %	63 %

Statement of Comparison of Budget and Actual amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	67 869 000	-	67 869 000	-		67 869 000	134 216 723		66 347 723	198 %	198 %
Net cash from (used) investing	(36 705 000)	-	(36 705 000)	-		(36 705 000)	(143 209 484)		(106 504 484)	390 %	390 %
Net increase/(decrease) in cash and cash equivalents	**31 164 000**	**-**	**31 164 000**	**-**		**31 164 000**	**(8 992 761)**		**(40 156 761)**	**(29)%**	**(29)%**
Cash and cash equivalents at the beginning of the year	112 074 000	-	112 074 000	-		112 074 000	13 367 392		(98 706 608)	12 %	12 %
Cash and cash equivalents at year end	**143 238 000**	**-**	**143 238 000**	**-**		**143 238 000**	**4 374 631**		**138 863 369**	**3 %**	**3 %**

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	0 - 100 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	5 - 12 years
Office equipment	Straight-line	5 - 12 years
IT equipment	Straight-line	3 - 5 years
Computer software	Straight-line	3 - 5 years
Infrastructure	Straight-line	0 - 100 years
Community	Straight-line	0 - 100 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Other property, plant and equipment	Straight-line	5 -12 years
Specialised vehicles	Straight-line	7 - 12 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.8 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 years
Intangible assets 1	Straight-line	Indefinite

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.+

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

Accounting Policies

1.9 Financial instruments (continued)

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions (excluding employee related payables)	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

1.10 Statutory receivables (continued)

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

Accounting Policies

1.16 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.19 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.19 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Accounting Policies

1.23 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

AIrregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Accounting Policies

1.30 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water produced.

1.33 Grants and Transfers

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the Municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

2. Standards and Interpretations

2.1 Standards and interpretations approved and effective for 2023/24 Financial Year

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

2. Standards and Interpretations (continued)

GRAP 11 Construction Contracts

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non -Cash Generating Assets

GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 32 Service Concession Arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interests of Other Entities

GRAP 100 Discounted Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 105 Transfer of Functions Between Entities Under Common Control

GRAP 106 Transfer of Functions Between Entities Not Under common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living resources

2. Standards and Interpretations (continued)

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 6 Loyalty Programme

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

Standards and interpretations issued, but not yet effective

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in

2. Standards and Interpretations (continued)

the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 unaudited annual financial statements.

The impact of the revisions is set out in note 2 Changes in Accounting Policy

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 356 091	-	39 356 091	39 160 290	-	39 160 290

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	39 160 290	195 801	39 356 091

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	38 392 441	767 849	39 160 290

Pledged as security

No investment property is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2024. Revaluations were performed by an independent valuer, Erina Otto of i@ Consulting. i@ Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The municipality applied fair value adjustment on the investment properties at the end of the financial year. The fair value adjustments of the investment properties being for improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2024, being a rate of 0.5%, adjusted to reflect the current market conditions per suburb

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 902 500	-	2 902 500	2 902 500	-	2 902 500
Plant and machinery	1 647 369	(1 256 439)	390 930	1 528 369	(1 108 570)	419 799
Furniture and fixtures	3 646 159	(2 816 196)	829 963	3 594 117	(2 536 033)	1 058 084
Motor vehicles	13 955 455	(5 462 863)	8 492 592	14 636 857	(11 857 122)	2 779 735
IT equipment	2 823 972	(1 648 003)	1 175 969	2 423 694	(1 319 298)	1 104 396
Infrastructure	1 533 868 334	(546 015 709)	987 852 625	1 404 798 424	(521 746 794)	883 051 630
Community	88 970 427	(46 548 684)	42 421 743	91 228 081	(46 513 540)	44 714 541
Other property, plant and equipment	78 907 869	(64 640 799)	14 267 070	78 705 547	(63 181 319)	15 524 228
Total	**1 726 722 085**	**(668 388 693)**	**1 058 333 392**	**1 599 817 589**	**(648 262 676)**	**951 554 913**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions through provisions	Disposals	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	2 902 500
Plant and machinery	419 799	119 000	-	-	(147 869)	-	390 930
Furniture and fixtures	1 058 084	52 448	-	-	(280 569)	-	829 963
Motor vehicles	2 779 735	6 975 026	-	(53 124)	(903 473)	(305 572)	8 492 592
IT equipment	1 104 396	400 278	-	-	(328 705)	-	1 175 969
Infrastructure	883 051 630	136 853 801	(1 000 059)	(1 814 640)	(24 519 494)	(4 718 613)	987 852 625
Community	44 714 541	-	(265 010)	(795 037)	(1 063 927)	(168 824)	42 421 743
Other property, plant and equipment	15 524 228	74 000	-	(85)	(1 329 280)	(1 793)	14 267 070
	951 554 913	**144 474 553**	**(1 265 069)**	**(2 662 886)**	**(28 573 317)**	**(5 194 802)**	**1 058 333 392**

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through provisions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	-	2 902 500
Plant and machinery	571 769	-	-	-	-	(151 970)	-	419 799
Furniture and fixtures	1 171 466	165 530	-	-	-	(278 912)	-	1 058 084
Motor vehicles	2 958 779	136 295	-	-	215 200	(530 539)	-	2 779 735
IT equipment	1 223 333	202 862	-	-	-	(321 799)	-	1 104 396
Infrastructure	813 694 677	119 034 649	(6 714 077)	(1 111 368)	-	(24 564 311)	(17 287 940)	883 051 630
Community	45 852 250	-	-	(4 907)	-	(1 132 802)	-	44 714 541
Other property, plant and equipment	17 537 370	-	-	(640 735)	-	(1 372 407)	-	15 524 228
	885 912 144	**119 539 336**	**(6 714 077)**	**(1 757 010)**	**215 200**	**(28 352 740)**	**(17 287 940)**	**951 554 913**

Pledged as security

No assets are pledged as security.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	157 718 821	12 372 379	170 091 200
Additions/capital expenditure	30 992 013	-	30 992 013
Transferred to completed items	(67 051 462)	-	(67 051 462)
	121 659 372	**12 372 379**	**134 031 751**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	253 802 731	12 372 379	266 175 110
Additions/capital expenditure	111 348 458	-	111 348 458
Transferred to completed items	(207 432 368)	-	(207 432 368)
	157 718 821	**12 372 379**	**170 091 200**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of infrastructure	15 271 083	3 374 896
Maintenance of equipment	9 929	8 300 287
Maintenance of transport services	15 787 746	10 974 098
Maintenance of unspecified assets	284 105	333 554
Maintananace of building and facilities	130 000	-
	31 482 863	**22 982 835**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

AIncluded in Work in Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Project	**Carrying value as at 30 June 2024**	**Status and reason for delay**
2019_055 Outdoor Facilities: Upgrading of Stadium	12 372 378	Pending investigation outcome due to irregular expenditure pertaining to the project.
050 Construction of Balfour new Substation	70 791 640	Project set to be completed in the foreseeable future
003 Design and construction supervision for the rehabilitation of roads in Dipaleseng (Siyathemba)	49 604	Project set to be completed in the foreseeable future
044 Design and construction supervision of Siyathemba 20 MVA (2x 10MVA) 88/22 KV substation	840 000	Project set to be completed in the foreseeable future
2020_014_RBIG Capital Spares: ESKOM upgrade of the 11kV line to 22kV line	80 446	Project set to be completed in the foreseeable future
029 Expansion of Waste Water Treatment / Expansion of waste water treatment works in Balfour	6 870 088	The Gert Sibande District have taken over implementation. Will be completed upon handover by the District Municipality
2020_010_RBIG Waste Water Treatment Works: Upgrading of Balfour Wastewater Treatment Works (From a 6 Ml/day to 12 Ml/day)	529 539	Design has been completed. Awaiting budget allocation to implement project.

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	17 800	(12 738)	5 062	17 800	(9 178)	8 622
Intangible assets	83 806	-	83 806	83 806	-	83 806
Total	**101 606**	**(12 738)**	**88 868**	**101 606**	**(9 178)**	**92 428**

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	8 622	(3 560)	5 062
Intangible assets	83 806	-	83 806
	92 428	**(3 560)**	**88 868**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	12 182	(3 560)	8 622
Intangible assets	83 806	-	83 806
	95 988	**(3 560)**	**92 428**

Pledged as security

No intangible assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Employee benefit obligations

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Dipaleseng Local Municipality as at 30 June 2024 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated

for 180 eligible employees as at 30 June 2024 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 630 000	3 283 000

Non-current liabilities	(14 978 000)	(14 594 000)
Current liabilities	(787 000)	(799 000)
	(15 765 000)	**(15 393 000)**

Changes in the present value of long service award obligation are as follows:

Opening balance	3 283 000	3 671 000
Benefits paid	(382 000)	(620 000)
Net expense recognised in the statement of financial performance	729 000	232 000
	3 630 000	**3 283 000**

Net expense recognised in the statement of financial performance

Current service cost	282 000	313 000
Interest cost	402 000	436 000
Actuarial (gains) losses	45 000	(517 000)
	729 000	**232 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	45 000	(517 000)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve		4,67 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve		5,10 %
Normal Salary Increase Rate	Equal to CPI+1%		6,10 %
Net Effective Discount Rate	Yield curve based**		4,00 %
Average Retirement Age (years)	62	62	
Nominal Retirement Age (years)	65	65	
Mortality Rates	SA85-90	SA-85-90	
		-	-

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

We use the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

**The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.4%. The next salary increase was assumed to take place on 01 July 2025.

Sensitivity analysis

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	3 793 000	3 479 000
Current Service Cost	317 000	278 000
Interest cost	405 000	369 000
	4 515 000	**4 126 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Employee benefit obligations (continued)

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	One percentage point decrease
Total Accrued Liability	3 851 000	3 426 000
Current Service Cost	319 000	276 000
Interest Cost	412 000	364 000

Amounts for the current and previous four years are as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	3 283 000	3 671 000	3 259 000	2 850 000	2 630 850

7. Employee benefit obligations

Post-employment Medical Aid Liabilities

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. The previous actuaries however assumed that only 75% of those currently on medical aid would be on medical aid in retirement. However, they also assumed that 15% of those not currently on medical aid would be on medical aid in retirement. We also assumed that all active members will remain on the same medical aid option at retirement.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	12 135 000	12 110 000
Non-current liabilities	(14 978 000)	(14 594 000)
Current liabilities	(787 000)	(799 000)
	(15 765 000)	**(15 393 000)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Employee benefit obligations (continued)

Changes in the present value of long service award obligation are as follows:

Opening balance	12 110 000	11 529 000
Benefits paid	(312 000)	(293 000)
Net expense recognised in the statement of financial performance	337 000	874 000
	12 135 000	**12 110 000**

Net expense recognised in the statement of financial performance

Current service cost	552 000	595 000
Interest cost	1 573 000	1 378 000
Actuarial (gains) losses	(1 788 000)	(1 099 000)
	337 000	**874 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 788 000)	(1 099 000)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve		4,67 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve		5,10 %
Normal Salary Increase Rate	Equal to CPI+1%		6,10 %
Net Effective Discount Rate	Yield curve based**		4,00 %
Average Retirement Age (years)	62	62	
Nominal Retirement Age (years)	65	65	

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

We use the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Sensitivity analysis

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	12 983 000	11 404 000
Current Service Cost	1 535 000	1 346 000
Interest cost	654 000	572 000
	15 172 000	**13 322 000**

6. Employee benefit obligations (continued)

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	**One percentage point decrease**
Total Accrued Liability	12 693 000	11 289 000
Current Service Cost	645 000	552 000
Interest Cost	1 501 000	1 331 000

Amounts for the current and previous four years are as follows:

8. Employee benefit obligation split

	2024	2023
Current Liabilities	787 000	799 000
Non-Current Liabilities	14 978 000	14 594 000
	15 765 000	**15 393 000**

9. Inventories

Maintenance materials	111 420	111 420
Water for distribution	50 140	62 006
	161 560	**173 426**

Inventory pledged as security

No Inventory has been pledged as security.

Inventory expensed

	2024	**2023**
Water consumed	16 757 690	35 407 386

10. Receivables from exchange transactions

Gross balances		
Consumer debtors - Electricity	121 031 558	95 714 180
Consumer debtors - Water	165 683 710	150 339 175
Consumer debtors - Waste water	191 603 174	173 827 477
Consumer debtors - Refuse	108 263 323	99 114 668
Consumer debtors - Property rental	2 787 722	2 190 094
Consumer debtors - Other	107 579 199	107 193 944
	696 948 686	**628 379 538**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Receivables from exchange transactions (continued)

	2024	2023
Less: Allowance for impairment		
Consumer debtors - Electricity	(64 547 106)	(51 150 239)
Consumer debtors - Water	(127 167 216)	(113 126 465)
Consumer debtors - Waste water	(162 948 239)	(142 797 495)
Consumer debtors - Refuse	(103 123 624)	(90 569 343)
Consumer debtors - Property rental	(1 621 666)	(1 202 898)
Consumer debtors - Other	(54 254 343)	(78 722 622)
	(513 662 194)	**(477 569 062)**

	2024	2023
Net balance		
Electricity	56 484 452	44 563 941
Water	38 516 494	37 212 710
Waste water	28 654 935	31 029 982
Refuse	5 139 699	8 545 325
Consumer debtors - Property rental	1 166 056	987 196
Consumer debtors - Other	53 324 856	28 471 322
	183 286 492	**150 810 476**

	2024	2023
Electricity		
Current (0 -30 days)	7 668 854	1 441 224
31 - 60 days	2 966 015	2 100 936
61 - 90 days	2 627 623	1 947 107
91 - 120 days	2 530 748	1 893 450
121 - 365 days	19 734 489	11 500 003
> 365 days	20 956 723	25 681 221
	56 484 452	**44 563 941**

	2024	2023
Water		
Current (0 -30 days)	2 890 895	1 249 345
31 - 60 days	2 455 104	1 424 503
61 - 90 days	2 288 051	1 064 801
91 - 120 days	2 268 336	1 031 363
121 - 365 days	17 346 047	8 144 196
> 365 days	11 268 061	24 298 502
	38 516 494	**37 212 710**

	2024	2023
Waste water		
Current (0 -30 days)	3 511 278	1 334 643
31 - 60 days	2 730 408	1 301 962
61 - 90 days	2 574 145	1 255 387
91 - 120 days	2 537 174	1 222 274
121 - 365 days	12 279 389	9 546 669
> 365 days	5 022 541	16 369 047
	28 654 935	**31 029 982**

	2024	2023
Refuse		
Current (0 -30 days)	757 351	781 976
31 - 60 days	825 666	758 841
61 - 90 days	857 000	748 873
91 - 120 days	701 010	733 560
121 - 365 days	765 123	742 355
> 365 days	1 233 549	4 779 720
	5 139 699	**8 545 325**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Receivables from exchange transactions (continued)

Property rental debtors		
Current (0 -30 days)	20 539	19 439
31 - 60 days	18 767	19 143
61 - 90 days	19 253	18 752
91 - 120 days	19 696	17 910
121 - 365 days	19 225	17 558
> 365 days	1 068 576	894 394
	1 166 056	**987 196**

Other		
Current (0 -30 days)	4 278 111	3 813 671
31 - 60 days	4 881 911	4 633 408
61 - 90 days	4 551 676	4 679 711
91 - 120 days	4 213 789	4 410 494
121 - 365 days	9 235 589	3 352 118
> 365 days	26 163 780	7 581 920
	53 324 856	**28 471 322**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2024	2023
Industrial / commercial		
Current (0 -30 days)	1 897 480	1 681 668
31 - 60 days	1 063 030	2 137 265
61 - 90 days	1 067 976	1 910 314
91 - 120 days	1 159 402	1 855 253
121 - 365 days	3 652 490	15 097 296
> 365 days	152 680 367	122 623 065
	161 520 745	**145 304 861**

	2024	2023
Residential		
Current (0 -30 days)	8 123 333	6 640 921
31 - 60 days	7 999 103	6 808 178
61 - 90 days	7 373 572	6 505 254
91 - 120 days	7 437 515	6 294 074
121 - 365 days	56 946 467	48 626 428
> 365 days	471 978 570	409 263 801
	559 858 560	**484 138 656**

	2024	2023
National and provincial government		
Current (0 -30 days)	304 792	131 980
31 - 60 days	250 416	119 546
61 - 90 days	253 807	95 517
91 - 120 days	232 114	88 081
121 - 365 days	1 220 846	639 593
> 365 days	9 226 627	2 769 726
	11 488 602	**3 844 443**

	2024	2023
Total		
Current (0 -30 days)	10 325 605	8 913 369
31 - 60 days	9 312 549	9 499 820
61 - 90 days	8 695 355	9 021 857
91 - 120 days	8 829 031	8 628 481
121 - 365 days	61 819 803	41 915 405
> 365 days	597 966 343	550 400 606
	696 948 686	628 379 538
Less: Allowance for impairment	(513 662 194)	(477 569 062)
	183 286 492	**150 810 476**

	2024	2023
Reconciliation of allowance for impairment		
Balance at beginning of the year	(477 569 062)	(304 627 704)
Contributions to allowance	(36 093 132)	(172 941 358)
	(513 662 194)	**(477 569 062)**

Receivables from exchange pledged as security

No receivables from exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Receivables from exchange transactions (continued)

Receivables from exchange debtors impaired

As of 30 June 2024, receivables from exchange transactions of R 696 299 211 (2023: R 628 379 538) were impaired and provided for.

The amount of the provision was R 513 662 194 as of 30 June 2024 (2023: R 477 569 063).

The ageing of the amounts considered for impairment are as follows:

1 month past due	7 998 477	8 970 550
2 months past due	7 921 213	6 751 007
3 months past due	7 568 546	7 003 621
3 to 6 months	57 672 761	6 336 998
Over 6 months	477 873 636	532 999 227

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired for the 2024 financial year is as follows (2023 - all debtors were considered for impairment):

1 month past due	30 076 002	2 455 156
2 months past due	17 638 357	2 093 411
3 months past due	16 032 235	1 831 959
3 to 6 months	47 621 481	5 338 900
Over 6 months	91 905 490	133 030 792

11. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	128 133 093	119 536 837
Fines	9 309 650	7 840 860
	137 442 743	**127 377 697**
Less: Allowance for impairment		
Consumer debtors - Rates	(84 434 344)	(74 374 679)
Fines	(9 159 537)	(7 630 108)
	(93 593 881)	**(82 004 787)**
Net balance		
Consumer debtors - Rates	43 698 749	45 162 158
Fines	150 113	210 752
	43 848 862	**45 372 910**
Rates		
Current (0 -30 days)	1 182 125	2 363 397
31 - 60 days	3 009 737	1 806 535
61 - 90 days	2 670 357	2 002 266
91 - 120 days	2 548 954	1 738 674
121 - 365 days	20 750 457	13 297 635
> 365 days	97 975 198	98 328 330
	128 136 828	**119 536 837**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Industrial / commercial		
Current (0 -30 days)	952 333	821 209
31 - 60 days	55 100	532 419
61 - 90 days	623 011	520 466
91 - 120 days	732 555	504 673
121 - 365 days	4 519 561	3 733 984
> 365 days	24 335 559	22 103 652
	31 218 119	**28 216 403**

Residential		
Current (0 -30 days)	985 557	784 577
31 - 60 days	889 335	701 457
61 - 90 days	822 324	711 774
91 - 120 days	599 325	679 185
121 - 365 days	6 125 541	5 276 896
> 365 days	36 946 467	28 248 599
	46 368 549	**36 402 488**

National and provincial government		
Current (0 -30 days)	304 792	187 606
31 - 60 days	250 416	178 065
61 - 90 days	253 807	173 339
91 - 120 days	232 114	172 422
121 - 365 days	236 568	1 269 407
> 365 days	10 210 904	7 622 402
	11 488 601	**9 603 241**

Other		
Current (0 -30 days)	649 533	570 005
31 - 60 days	422 135	394 595
61 - 90 days	568 898	596 688
91 - 120 days	336 988	382 394
121 - 365 days	4 882 335	3 017 347
> 365 days	19 716 304	20 339 154
	26 576 193	**25 300 183**

Total		
Current (0 -30 days)	2 892 215	2 363 397
31 - 60 days	1 616 986	1 806 535
61 - 90 days	2 268 040	2 002 266
91 - 120 days	1 900 982	1 738 674
121 - 365 days	15 764 005	13 297 635
> 365 days	91 209 234	104 918 682
	115 651 462	126 127 189
Less: Allowance for impairment	(93 593 881)	(82 004 787)
	22 057 581	**44 122 402**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(74 374 678)	(82 422 334)
Contributions to allowance	(10 059 666)	-
Reversal of allowance	-	8 047 656
	(84 434 344)	**(74 374 678)**

Included in receivables from non-exchange transactions above are statutory receivables as described below:

11. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Basis used to assess and test whether a statutory receivable is impaired

Figures in Rand	2024	2023

11. Receivables from non-exchange transactions (continued)

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:
(a) Individually significant receivables are impaired; and/or
(b) Groups of similar, individually insignificant, receivables are impaired.

The following accounts are specifically excluded from the assessment for impairment:
Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly;
Receivable accounts which relate to:
Business owners
Industrial businesses
Corporates and organs of state
and
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable
.
In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain.

The National Prosecuting Authority (NPA) has issued a countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months if no summons has been issued.

Additionally, where a summons has been issued and the alleged transgressor fails to appear in court, resulting in a warrant of arrest, the warrant has a lifetime of two years from the date of issue. Should it not been executed within two years, it should also be cancelled.

Based on the above mentioned, individual traffic fines will be assessed to identify the following:

Traffic fines issued in terms of the Criminal Procedure Act, that are outstanding for a period greater than or equal to 18 months, and no summons have been issued; and

Traffic fines where warrants of arrest remain outstanding for greater than or equal to two years, from the date the warrant has been issued.

The above mentioned traffic fines will be considered for 100% of impairment of the rand value outstanding, as it is probable that these traffic fines will be written off by the municipality.

A group assessment of receivables shall further be conducted on the remaining traffic fine receivables taking into account the following criteria:

All fines with balances outstanding beyond the due date for payment

Statutory receivables past due but not impaired

The ageing of amounts past due but not impaired for the 2024 financial year is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Receivables from non-exchange transactions (continued)

1 month past due	1 182 125	1 356 795
2 months past due	946 804	1 055 795
3 months past due	921 393	1 033 562
3 to 6 months	3 064 286	2 985 505
Over 6 months	37 934 089	46 096 597

Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R137 442 743 (2023: R127 377 697) were impaired and provided for.

The amount of the provision was R93 593 881 as of 30 June 2024 (2023: R82 004 787).

The ageing of the amounts past due and impaired is as follows:

1 month past due	1 723 553	1 796 875
2 months past due	1 627 561	1 545 064
3 months past due	1 579 970	1 809 281
3 to 6 months	4 801 872	4 449 605
Over 6 months	76 577 009	66 688 968

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 374 631	13 367 392

Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as collateral security in the current year.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National BANK - Cheque Account - 51590840208	1 366 498	2 277 443	127 587	2 423 767	2 406 502	1 926 027
First National BANK - Current Account - 62054655827	117 366	1 383 861	43 459	1 950 442	3 232 832	892 156
First National BANK - Call Account - 62033239783	422	7 728 058	4 539 163	422	7 728 058	4 384 606
Total	**1 484 286**	**11 389 362**	**4 710 209**	**4 374 631**	**13 367 392**	**7 202 789**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Recovery Grant	-	5 750 000

See note for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	67 143 997	(1 000 059)	7 641 206	73 785 144
Provision - Department of water & sanitation	74 945 836	-	-	74 945 836
	142 089 833	**(1 000 059)**	**7 641 206**	**148 730 980**

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	66 824 883	(6 714 077)	7 033 191	67 143 997
Department of Water and Sanitation	74 945 836	-	-	74 945 836
	141 770 719	**(6 714 077)**	**7 033 191**	**142 089 833**

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end toreflect the best estimate at reporting date. The sites under consideration are the Greylingstad, Siyathemba, and Grootvlei landfill sites.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat, GIMFO, and Dr. Maryna Mohr, both partners in Environmental and Sustainability Solutions (ESS).

Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession(SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists(SAIE&ES). He holds a Master's degree in Science as well as a Master's degree in Accounting. Mr Godschalk is also a member of the Institute of Governmentl Finance, Auditand Risk Officers(CIGFARO) and Institute of Directors.

Dr Möhr holds an MBA as well as a D Tech. For the latter she developed an Environmental Management Accounting model for the mining industry. She was a member of the United Nations expert workgroup that developed an International Guidance Document: Environmental Management Accounting that was published by the International Federation of Accountants (IFAC) in 2005. Maryna is a member of the Institute of Director.

Both ESS members represent South Africa on the International Standards Organisation workgroups for the development of international standards on Material Flow Cost Accounting, the Monetary Valuation of Environmental Impacts and Aspects, and Determining Environmental Costs and Benefits. They developed an environmental management accounting system for Gold Fields and the Auditor General of South Africa. For the Department of Defence, they developed the Environmental Liability Costing Model to estimate the rehabilitation costs of military training areas. On their own initiative they developed the GLCCM that formed the basis for this assessment. ESS is a member of the Institute of Waste Management in South Africa (IWMSA).

Key financial assumptions used in this calculation were as follows:

	Greylingstad	Grootvlei	Siyathemba
CPI	5.17%	5.17%	5.17%
Discount rate	10.17%	10.42%	10.67%
Net effective discount rate	5.00%	5.25%	5.5%

Department of Water and Sanitation

The accounting records of the Department of Water and Sanitation indicate that the Municipality owes the department an amount of R 74 945 836 in historic debt. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The timing of the outflow is unknown as engagements between the Municipality and the department are underway

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Payables from exchange transactions

Trade payables	389 048 561	281 595 794
Amounts received in advanced	9 872 584	9 024 471
Retention	9 300 677	11 800 990
Accrued leave pay	13 038 766	12 360 610
Accrued bonus	1 444 711	1 374 013
Accrued expense	71 557 727	66 326 697
Unallocated deposits	12 083 464	10 637 941
Agency fees	34 189 292	23 579 966
Salary clearing Control	397 901	2 657 434
	540 933 683	**419 357 916**

16. VAT payable

VAT Input	-	112 784 101
VAT Output	-	(112 865 750)
	-	**(81 649)**

17. Consumer deposits

Electricity	3 007 024	2 944 247

18. Revenue

Sale of goods	1 310 563	1 215 142
Service charges	142 324 685	130 258 710
Rental of facilities and equipment	444 781	282 299
Licences and permits	3 632 434	5 456 743
Actuarial gains/losses	1 743 000	1 616 000
Interest received - investment	469 685	685 372
Dividends or similar distributions received	10 689 901	14 245 337
Property rates	37 442 249	30 314 274
Government grants & subsidies	136 527 000	139 047 001
Public contributions and donations	129 716 617	69 082 942
Fines, Penalties and Forfeits	1 610 577	2 882 970
	465 911 492	**395 086 790**

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	1 310 563	1 215 142
Service charges	142 324 685	130 258 710
Rental of facilities and equipment	444 781	282 299
Licences and permits	3 632 434	5 456 743
Interest received - investment	469 685	685 372
Dividends or similar distributions received	10 689 901	14 245 337
	158 872 049	**152 143 603**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	37 442 249	30 314 274
Transfer revenue		
Government grants & subsidies	136 527 000	139 047 001
Public contributions and donations	129 716 617	69 082 942
Fines, Penalties and Forfeits	1 610 577	2 882 970
	305 296 443	**241 327 187**

19. Sale of Goods

Tender Documents	338 987	140 785
Advertisements	-	1 932
Cemetery	220 860	106 025
Escort Fees	831	-
Clearance certificates	487 801	386 028
Occupation Certificates	17 691	28 896
Town Planning and Servitudes	227 575	511 979
Valuation Services	289	316
Administrative Handling Fees	16 437	38 666
Incidental Cash Surpluses	92	515
	1 310 563	**1 215 142**

20. Service charges

Sale of electricity	75 633 655	69 429 207
Sale of water	28 953 202	26 423 706
Solid waste	10 447 769	9 420 835
Sewerage and sanitation charges	27 290 059	24 984 962
	142 324 685	**130 258 710**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	444 781	282 299

22. Fines, Penalties and Forfeits

Overdue Books Fines	4 632	-
Municipal Traffic Fines	1 605 945	2 882 970
	1 610 577	**2 882 970**

23. Licences and permits

Road and Transport	3 632 434	5 456 743

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Lease rentals on operating lease

Equipment		
Contractual amounts	-	194 500
Plant and equipment		
Contractual amounts	443 811	407 808
	443 811	**602 308**

25. Investment revenue

Interest revenue		
Receivables	10 689 901	14 245 337
Interest revenue		
Bank	469 685	685 372
	11 159 586	**14 930 709**

26. Property rates

Rates received

Property rates	37 442 249	30 314 274

Valuations

Residential	1 270 955 100	1 273 007 100
Commercial	345 103 500	355 982 500
State	222 368 070	388 367 400
Mining	34 506 000	34 506 000
Vacant Land	51 464 600	46 268 000
Argriculture	2 319 192 000	2 097 076 000
Public Service Properties	299 967 000	138 739 270
Place of worship	37 160 000	37 160 000
Multi purpose properties	2 560 000	2 560 000
	4 583 276 270	**4 373 666 270**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2024	2023

27. Government grants & subsidies

Operating grants		
Equitable share	100 018 000	91 860 001
Energy Efficiency and Demand Side Management Grant	-	4 000 000
Expanded Public Works Programme Integrated Grant	1 156 000	1 444 000
Local Government Financial Management Grant	2 850 000	2 800 000
Municipal Disaster Recovery Grant	5 750 000	-
	109 774 000	**100 104 001**

Capital grants		
Municipal Infrastructure Grant	16 753 000	20 943 000
Integrated National Electrification Programme Grant	10 000 000	18 000 000
	26 753 000	**38 943 000**
	136 527 000	**139 047 001**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	30 759 000	46 406 951
Unconditional grants received	100 018 000	91 860 001
	130 777 000	**138 266 952**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	3 266 189
Current-year receipts	16 753 000	20 943 000
Conditions met - transferred to revenue	(16 753 000)	(20 943 000)
Other - Transfer to equitable share	-	(3 266 189)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	-	30 952
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)
Other - Transfer to equitable share	-	(30 952)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	-	495 860
Current-year receipts	10 000 000	18 000 000
Conditions met - transferred to revenue	(10 000 000)	(18 000 000)
Other - Transfer to equitable share	-	(495 860)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Government grants & subsidies (continued)

	-	-

Conditions still to be met - remain liabilities (see note 13).

Local Government Financial Management Grant

Current-year receipts	2 850 000	2 800 000
Conditions met - transferred to revenue	(2 850 000)	(2 800 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Expanded Public Works Programme Grants

Current-year receipts	1 156 000	1 444 000
Conditions met - transferred to revenue	(1 155 408)	(1 444 000)
		-
	592	**-**

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Municipal Disaster Relief Grant

Balance unspent at beginning of year	5 750 000	-
Current-year receipts	-	5 750 000
Conditions met - transferred to revenue	(5 750 000)	-
	-	**5 750 000**

Conditions still to be met - remain liabilities (see note 13).

28. Public contributions and donations

Public contributions and donations	129 716 617	69 082 942

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs

Basic	45 449 033	41 537 131
Bonus	3 386 241	3 071 070
Medical aid - company contributions	6 821 702	6 063 588
UIF	1 128 107	1 076 812
Leave pay provision charge	1 605 564	1 510 178
Pension Contribution	8 974 666	8 232 930
Travel, motor car, accommodation, subsistence and other allowances	408 079	249 680
Overtime payments	10 006 548	8 038 637
Long-service awards	(46 660)	43 748
Acting allowances	1 232 575	747 704
Car allowance	1 694 770	1 444 229
Housing benefits and allowances	446 937	391 176
Standby Allowance	492 504	455 552
Telephone expenditure	53 432	-
	81 653 498	**72 862 435**

Remuneration of municipal manager

Annual Remuneration	1 077 607	991 088
Travel allowance	31 937	18 342
Backpay	51 727	46 279
Contributions to UIF, Medical and Pension Funds	13 517	-
Acting allowance	-	46 113
Contributions to UIF, Medical and Pension Funds	-	13 007
	1 174 788	**1 114 829**

Remuneration of chief finance officer

Annual Remuneration	884 772	851 597
Reimb Travel	15 933	-
Contributions to UIF, Medical and Pension Funds	11 489	10 685
Backpay	46 110	4 397
	958 304	**866 679**

Remuneration of Director: Community Services

Annual Remuneration	73 731	851 597
Reimb Travel	4 036	-
Leave Paid Out	49 653	-
Contributions to UIF, Medical and Pension Funds	1 823	10 521
Tollgate	425	17 418
Backpay	46 110	47 947
Acting allowance	40 347	-
	216 125	**927 483**

Remuneration of Corporate Services Director

Contributions to UIF, Medical and Pension Funds	-	707
Acting allowance	235 794	279 828
Leave pay	-	52 964
	235 794	**333 499**

Remuneration of Planning and Development Director

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs (continued)

Acting allowance	277 472	120 780

Remuneration of Technical Services Director

Annual Remuneration	-	79 242
Backpay	834	-
Reimb Travel	61 184	-
Contributions to UIF, Medical and Pension Funds	1 027	983
Acting allowance	111 857	170 684
Tollgate	5 152	6 483
	180 054	**257 392**

30. Remuneration of councillors

Executive Major	1 032 074	923 784
Chief Whip	776 351	673 417
Mayoral Committee Members	1 638 675	1 397 542
Speaker	831 534	684 789
Councillors	2 714 464	2 068 500
	6 993 098	**5 748 032**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

Refer to note 44: Related Parties for the detailed disclosure regarding councillors' remuneration.

31. Depreciation and amortisation

Property, plant and equipment	28 573 317	28 352 740
Intangible assets	3 560	3 560
	28 576 877	**28 356 300**

32. Impairment loss

Impairments		
Property, plant and equipment	5 194 802	17 287 939

33. Finance costs

Trade and other payables	28 359 844	29 085 646
Interest cost(Provision)	7 641 206	7 033 191
	36 001 050	**36 118 837**

34. Debt impairment

Debt impairment	47 682 227	167 523 317
Bad debts written off	39 016 125	7 784 969
	86 698 352	**175 308 286**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Bulk purchases

Electricity - Eskom	98 064 910	89 235 478
Water	-	379 497
	98 064 910	**89 614 975**

36. Contracted services

Outsourced Services		
Burial Services	5 399	167 009
Business and Advisory	8 934 020	8 253 171
Catering Services	114 800	134 900
Hygiene Services	-	3 374 896
Connection/Dis-connection	-	1 628 059
Security Services	12 450 947	11 025 788
Transport Services	19 631 905	10 974 099
Water Takers	22 336	-
Consultants and Professional Services		
Business and Advisory	695 652	929 809
Infrastructure and Planning	13 000	292 000
Laboratory Services	233 471	122 743
Legal Cost	5 147 956	6 981 274
Contractors		
Employee Wellness	-	44 440
Maintenance of Buildings and Facilities	414 105	180 291
Maintenance of Equipment	15 268 012	8 901 574
Maintenance of Unspecified Assets	1 926 047	333 554
Prepaid Electricity Vendors	943 789	885 867
	65 801 439	**54 229 474**

37. General expenses

Advertising	726 060	1 023 947
Auditors remuneration	5 214 860	8 462 562
Bank charges	1 272 413	632 153
Fines and penalties	1 710 908	-
Insurance	3 033 000	3 132 984
IT expenses	9 333	108 789
Levies	376 764	277 315
Protective clothing	1 138 155	132 050
Subscriptions and membership fees	318 237	1 702 078
Telephone and fax	3 572 397	2 433 236
Travel - local	2 190 979	2 359 158
Title deed search fees	7 821	5 999
Other expenses	6 696 609	3 413 679
	26 267 536	**23 683 950**

38. Fair value adjustments

Investment property (Fair value model)	195 801	767 849

39. Auditors' remuneration

Fees	5 214 860	8 462 562

Notes to the Annual Financial Statements

40. Cash generated from operations

Figures in Rand	2024	2023
Surplus (deficit)	18 147 302	(148 505 725)
Adjustments for:		
Depreciation and amortisation	28 576 877	28 356 300
Gain on sale of assets and liabilities	2 662 977	1 757 008
Fair value adjustments	(195 801)	(767 849)
Impairment deficit	5 194 802	17 287 939
Debt impairment	86 698 352	175 308 286
Movements in retirement benefit assets and liabilities	2 115 000	193 000
Movements in provisions	6 641 147	319 114
Acturial gains	(1 743 000)	-
Changes in working capital:		
Inventories	11 866	(37 831)
Receivables from exchange transactions	(119 174 368)	(74 587 530)
Receivables from non-exchange transactions	1 524 048	(15 861 103)
Payables from exchange transactions	121 575 767	137 404 218
VAT	(7 621 394)	(8 297 942)
Unspent conditional grants and receipts	(5 750 000)	1 956 999
Consumer deposits	62 777	139 925
Other liabilities	(4 509 629)	1 001 688
	134 216 723	**115 666 497**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	183 286 492	183 286 492
Cash and cash equivalents	4 374 631	-	4 374 631
	4 374 631	**183 286 492**	**187 661 123**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	526 052 305	526 052 305
Consumer deposits	3 007 024	3 007 024
	529 059 329	**529 059 329**

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	150 810 476	150 810 476
Cash and cash equivalents	13 367 392	-	13 367 392
	13 367 392	**150 810 476**	**164 177 868**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	402 965 859	402 965 859
Consumer deposits	2 944 247	2 944 247
	405 910 106	**405 910 106**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Commitments

Authorised capital expenditure

Approved and Contracted for		
• Property, plant and equipment	26 853 960	24 483 233
Total capital commitments		
Already contracted for but not provided for	26 853 960	24 483 233

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	35 594 187	45 252 000
Total operational commitments		
Already contracted for but not provided for	35 594 187	45 252 000

Total commitments

Total commitments		
Authorised capital expenditure	26 853 960	24 483 233
Authorised operational expenditure	35 594 187	45 252 000
	62 448 147	**69 735 233**

This committed expenditure relates to property and equipment and will be financed by available government grants, existing cash resources, funds internally generated, etc.

43. Other financial liabilities

Long term liabilities

Long term liabilites	-	(4 509 529)

The long term liabilities comprise of a total balance owing to The Auditor General of South Africa.
The municipality entered into a payment arrangement for a period of 36 months.

The total debt outstanding as at 30 June 2023 amounted to R 15 009 529 with total monthly installments of R 500 000 a month and additional quarterly payments of R 1 500 000..

The total short term debt payable as at 30 June 2023 is R 10 500 000 and the total Long term debt payable is R 4 509 529.

44. VAT receivable

VAT Input	144 389 325	-
VAT Output	(136 849 580)	-
	7 539 745	**-**

45. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Dipaleseng Local Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote.

Case	Applicant	Case number	2024	2023
The above company is suing the Municipality for an alleged breach of contract in the amount of Twenty Five Million and Two Hundred Thousand (R 25 200.000). The matter is filled in the North Gauteng Division of the High Court under Case No 23132/2018. Upon receipt of the summons a notice of intention to defend on the following basis: That the alleged signed agreement is fraudulent and the signature thereof may be forged and that as a consequence of that, the agreement is ipso facto void and thus unenforceable • The fundamental differences on the purported signatures by the former Municipal Manager on the so called conformation of order and the Service Level Agreement. The Applicant approached the court for a Summary Judgement on the 27th of July 2018. They obtained a warrant of Execution in respect of the Municipal account. The Court on urgent basis seeking the upliftment of the attachment on the bank account. The court granted an order in favour of the Municipality. An Application for a rescission of judgement is filed and awaits a set down for hearing from the Registrar of the Court. • Somewhere towards end of August the same company issued fresh summons in the High Court on the basis of breach of contract for an amount of FOUR MILLION AND THREE HUNDRED AND FIFTY THOUSAND. The matter was set down for trial on the 3rd June 2019. The first respondents raised failure to comply with certain directives from the judge. The Judge Municipality approached the the n ordered wasted costs for the day against the Applicant`s Attorneys of Record for not having the explanatory affidavit before the court. In the month of July the Applicant proposed an out of Court settlement which was outright rejected. The Municipality is steadfast that it is not indebted to the Applicant at all hence no settlement agreement would be considered. • The Applicant has proposed a settlement agreement for the payment of the amount of TWO MILLION FIVE HUNDRED AND FIFTY THOUSAND RAND. Furthermore, they demanded an amount of FOUR MILLION SIX HUNDRED AND FIFTY THOUSAND RANDS as disbursement paid by SMART AND SAFER. SOLUTION The Municipality is steadfast that it is not indebted to the Applicant at all hence no settlement agreement would be considered.	Smart and Safer Solutions (PTY) LTD	23132/2018	25 000 200	25000200

Notes to the Annual Financial Statements

Figures in Rand

45. Contingencies (continued)

This matter pertains to one Municipal employee who was allegedly assaulted in 2018 whilst there was protest by the employees. It is allegedly that she suffered head injuries which resulted from concussion and she suffered from depression and post-traumatic stress. As a consequent therefore, the Municipality is sued in the tune of R 1 000 000 .00. According to HR records the employee attended three consultations on separate occasions and is due to submit a close-up report for the claim to be submitted to COIDA for lodgement. Municipality has since filed a notice citing bare denial on the liability claimed. Upon receipt of Summons Municipality will aggressively oppose any claim as per the notice letter.	NOTICE IN TERMS OF SECTION 3(1) OF THE INSTITUTION OF LEGAL PROCEEDINGS AGIANST CERTAIN ORGANS OF STATE ACT NO 40 OF 2002		1 000 000	1000000
The Plaintiff has issued Combined Summons against the Municipality in the Regional Court held in Evander wherein an amount of R 293 816.57 plus interest is claimed against the Municipality. It is alleged in the Particulars of Claim the Plaintiff has supplied a 100KVA transformer and dismantling of the older transformer. The matter has been opposed based on the irregular appointment of the service provider and it is currently at a Discovery stage. The matter is now ripe and due for a set down in the foreseeable future	KF PHETLA PROJECTS CC		293 817	293817
The Municipality received a notice in terms of the above section, wherein it is alleged that in October 2020 there was interruptions to power supply through the negligence on the part of the Municipality. Owing to surges in the electricity supply the resident suffered damages in that pump motors burned. She alleged that she suffered damages in the amount of R116 400.00	THE STANDARD BANK OF SOUTH AFRICA LIMITED/CATHERINA JOHANNA CLAUDINA /DLM		116 400	116400

Notes to the Annual Financial Statements

Figures in Rand

45. Contingencies (continued)

The Municipality received a notice of application to declare immoveable property executable in terms of rule 46A. The matter is enrolled in the High Court of South Africa (North West Division, Mahikeng). There is no directive on the Municipality to file any opposing papers.	FIRSTRAND BANK LIMITED / GABREAL JAKOBUS PETRUS VORSTER/DLM		-	
The above service provider was appointed in 2021 to provide debt collection services to the Municipality. They subsequently sent numerous invoices to the Municipality and only one invoice was paid by the Municipality in July 2021. The outstanding invoices can be summarised as follows: August - R306 019,75September – R377 143, 31October - R528 220, 83 The Service Provider issued Summons in the High Court on urgent basis wherein he claimed an amount of R 1 669 111,O7 for services rendered. The matter was enrolled and heard on the urgent court roll on the 29th March 2022 in the High Court sitting in Middelburg. The Matter was dismissed because it lacked urgency and the Applicant was ordered to pay to pay the costs on an attorney and client scale	ANDILE SETH INCORPORATED/ DLM		1 211 384	
Karan Beef (Pty) Ltd claims to have suffered damages during 2021 in the amount of R3 416 301,68 being the cost incurred to generate power by means of a generator during the periods of the breakdown in the supply of electricity by the Dipaleseng Local Municipality. On 06 October 2022 Karan Beef (Pty) Ltd issued a notice in terms of Section 3(1) of the Institution of Legal Proceedings against certain organs of State Act, (Act No. 40 of 2002) The municipality has consulted with its attorneys to defend the matter from the applicant getting a judgement in his favour and in his own terms, of which terms will not be in the best interest of the municipality.	KARAN BEEF PTY LTD / DIPALESENG LOCAL MUNICIPALITY		3 416 302	0
			26 410 417	**26 410 417**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	Please refer to the general information on page 2
Members of key management	L Cindi - Municipal Manager MH Thokoane - CFO Mr P Makhene - Acting Director Infrastructure S Radebe - Acting Director Corporate G Du Plooy - Acting Director Infrastructure M Mngomezu - Acting Director Corporate and Community Services TH Masoeu - Acting Director Planning & Economic Dev Inga Mloyeni - Acting Director Planning & Economic Dev

Related party balances

Councillors arrears accounts are disclosed in note 54.

46. Related parties (continued)

Remuneration of management

Management class: Councillors

2024

Name	Basic salary	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	978 065	44 415	9 594	1 032 074
Cllr XS Shozi : Speaker - Member of Mayoral committee	817 195	6 630	7 709	831 534
Cllr TG Shabalala : Chief Whip - Member of Mayoral committee	762 572	6 630	7 149	776 351
Cllr MG Miya - Mayoral committee member	776 073	4 346	7 152	787 571
Cllr AN Carrim - Mayoral committee member	798 987	44 418	7 700	851 105
	4 132 892	**106 439**	**39 304**	**4 278 635**

2023

Name	Basic salary	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	850 803	40 800	8 300	899 903
Cllr XS Shozi : Speaker -Member of Mayoral Committee	675 484	3 012	6 293	684 789
Cllr TG Shabalala : Chief Whip - Member of Mayoral Committee	639 295	3 012	31 110	673 417
Cllr MG Miya - Mayoral committee member	639 295	728	37 463	677 486
Cllr AN Carrim - Mayoral committee member	639 295	40 800	39 961	720 056
	3 444 172	**88 352**	**123 127**	**3 655 651**

The Mayoral committee remuneration above of R 4 569 983, R 3 655 651 (2023) has been included in the remuneration of councillors below.

46. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Cellphone allowance	Post-employment benefits	Total
Mayoral committee members	4 132 892	106 439	39 304	4 278 635
Cllr CDV Pienaar	377 942	44 418	4 003	426 363
Cllr LK Dhladhla	328 575	44 418	3 520	376 513
Cllr MD Makhoba	437 091	14 158	4 111	455 360
Cllr AS Nhlapo	328 575	44 418	3 520	376 513
Cllr RA Motakane	328 571	44 418	3 520	376 509
Cllr ZE Maya	328 575	15 226	3 228	347 029
Cllr Z Radebe	328 575	24 282	3 319	356 176
	6 590 796	**337 777**	**64 525**	**6 993 098**

2023

Name	Basic salary	Car Allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Mayoral committee members	3 444 172	-	88 352	123 127	3 655 651
Cllr AK Nyamade	141 242	40 281	1 723	1 654	184 900
Cllr CDV Pienaar	267 208	-	40 800	5 161	313 169
Cllr LK Dhladhla	267 208	-	40 800	2 885	310 893
Cllr MD Makhoba	298 227	-	4 120	20 740	323 087
Cllr AS Nhlapo	267 208	-	40 800	2 885	310 893
Cllr RA Motakane	267 203	-	40 800	2 885	310 888
Cllr ZE Maya	264 220	-	-	2 448	266 668
Cllr Z Radebe	61 003	-	10 200	680	71 883

46. Related parties (continued)

	5 277 691	**40 281**	**267 595**	**162 465**	**5 748 032**

47. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2024	2023
Cash and Cash Equivalents	4 374 631	13 367 392
Receivables from exchange transactions	183 286 492	150 810 476

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

48. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	11	51 760 542	(6 387 632)	45 372 910
Receivables from exchange transactions	10	151 229 691	(419 215)	150 810 476
Property, Plant & Equipment	4	977 089 906	(25 534 998)	951 554 908
Payables from exchange transactions	15	(412 915 578)	(6 442 338)	(419 357 916)
VAT payable	16	(354 230)	272 581	(81 649)
Accummulated surplus		(792 007 274)	33 095 888	(758 911 386)
		(25 196 943)	**(5 415 714)**	**(30 612 657)**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	20	130 661 284	(402 574)	-	130 258 710
Property rates	26	31 293 787	(979 513)	-	30 314 274
Interest received - receivables from exchange transactions	25	45 033 500	(15 352)	(30 772 811)	14 245 337
Interest-Taxation Revenue		-	-	30 772 811	30 772 811
Public contributions and donations		68 867 742	215 200	-	69 082 942
Fines, penalties and forfeits		2 680 250	202 720	-	2 882 970
Depreciation and amortisation	31	(26 910 193)	(1 446 107)	-	(28 356 300)
Bulk purchases	35	(89 235 478)	(379 497)	-	(89 614 975)
Contracted services	36	(52 434 134)	(1 795 340)	-	(54 229 474)
General expenses	37	(22 868 699)	(815 251)	-	(23 683 950)
Surplus for the year		**87 088 059**	**(5 415 714)**	**-**	**81 672 345**

Errors

Figures in Rand	2024	2023

48. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Error one: Receivables from non-exchange transaction

The prior period error for Receivables from non-exchange transactions arose as a result of error on own-billing as well as correction of owner occupier accounts which took into consideration own-billing and correction of owner occupier accounts in 2023 and prior to 2023.

Error two: Receivables from exchange transactions

The prior period error for Receivables from exchange transactions arose as a result of error on own-billing as well as correction of owner occupier accounts which took into consideration own-billing and correction of owner occupier accounts in 2023 and prior to 2023.

Error three: Property, Plant & Equipment:

Following a comprehensive review of the WIP register, it was identified that some payments were incorrectly classified between capital and operational (maintenance) expenditure. In addition, this lead to some components being impacted.The result of this saw an increase in PPE cost as well as accumulated depreciation.

Furthermore, the reason for the prior period error was due to assets which were ommitted in error in the fixed asset register.These assets needed to be recognised correctly in the financial statement as well retrospectively.

Management also corrected completed projects which were sitting in WIP. The error was corrected by way of accelariting depreciation as well as impairment for the 2023 financial year and beyond 2023.

Through investigation of Work in progress projects, management idenfitied project spending which was included in error within the fixed asset register as these projects were being administered by the Gert Sibande District Municipality.

Work in progress was corrected in the following manner:

Previously reported Work in Progress: R 212 945 285
Correction of error: : R 42 854 085
Restated 2023 Work in progress : R 170 091 200

Error four: Payables from exchange transactions
The prior period error on accruals is due to an understatement of prior years balance relating to invoices dated before 1st July 2023 which had not been included in the balance.

Error five: Value added tax

The VAT prior period error is due to own billing charges which formed part of the gross outstanding balances from the own billed accounts which had to be reversed.

There were also prior year error corrections on payables (invoices which relate to 2023 financial year but were however errorously captured in the 2024 financial year). This resulted in a change in VAT input.

Figures in Rand	2024	2023

48. Prior-year adjustments (continued)

Error six: Service charges

The service charge prior period error is due to an error relating to own-billing on municipal owned property.The accounts which were incorrectly billed were adjusted to correct the overstated revenue.

Error seven: Property rates

The property rates prior period error is due to the error of including own-billing amounts in revenue in the previous fiancial year. This is an error which was identified and discussed by management and thus the decision to exclude own-billing amount on revenue

Error eight: Interest received.

The interest received prior period error is due to an error relating to own-billing on municipal owned property.The accounts which were incorrectly billed were adjusted to correct the overstated revenue also it was noted that interest on receivables was fully disclosed as interest from exchange transaction and not split betweeen interest charged on revenue from exchange transactions eg (Service charges) and interest charged from non-exhange evenue eg (Property rates).

Error nine:Public donations and contributions

The change in donations was due to assets which were donated in the 2023 financial year and were errorously omitted from the fixed asset register due to lack of information at that time.

Error ten: Depreciation and amortisation

Following a comprehensive review of the WIP register, it was identified that some payments were incorrectly classified between capital and operational (maintenance) expenditure. In addition, this lead to some components being impacted.The result of this saw an increase in PPE cost as well as accumulated depreciation .

Error eleven: Bulk Purchases

The differences relate to payables understatement which was as a result of invoices which were recorded in the 2024 financial year but however relate to the 2023 financial year.

Error twelve: Contracted services

The differences relate to asset acquistions being included in error as maintenance expenditure..

Error thirteen: General expenses:

The differences relate to incorrect classification of finance costs as general expenditure.

Error Fourteen: Water Invetory:

The reclassification arose due to incorrect classification idenitified in the current financial year. The municipality correctly reclassified bulk water purchases to inventory consumed and applied to correction retrospectively.

Error Fifteen: Traffic Fines:

The increase in traffic fines was due to a correction in unrecorded traffic fines in the 2023 financial year.

Error Sixteen: Contingent Liabilities

The change in contingent liabilities disclosure is due to an incorrect inclusion of summons of debt owed to the Department of Water and Sanitation. The incorrect contignent liability is a payable in nature and has been adequately reported in the accounting records of the municipality as such. The disclosure of prior year DWS contingency of R 19 668 311 which did not impact the balance of prior year has been removed from the contingency register and annual financial statements reporting.

Notes to the Annual Financial Statements

49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had surplus (deficit) of R 18 147 302 and that the municipality's total assets exceed its liabilities by R 628 552 963.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations

The municipality has reviewed the cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, the municipality is satisfied that it has access to adequate resources to continue in operational existence for the foreseeable future.

We draw attention to the fact that at 30 June 2024, the municipality's current liabilities exceed its current assets by R 309 585 161.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Events after the reporting date

Subsequent to the reporting date and before the issuing of the financial statements and conclusion of the audit of the annual financial statements, the following events occurred.

Non-Adjusting event

On the 8th of July 2024, The High Court of South Africa issued a judgement which involved Afriforum and NERSA (National Energy Regulator of South Africa). The case was based on the fact that the electricty tarrif increases for the 2024/2025 financial year were unconstitutional as the increases required a cost of supply study in order to justify the increase for municipalities.

In the province of Mpumalanga there were 33 municipalities which were affected by the court ruling,Dipaleseng local municipality was one of them. Prior to being knowledgable about the court case ruling, the municipality, through the initial approval by the National Energy Regulator of South Africa, increased the electricity tariff by 10.35%.
The municipality is in the process of rectifying the billing impacted by the tarrif increase and will ensure accurate and correct billing prospectively. Therefore, there will not be any adverse financial implications to customers.

Adjusting Events

Dipaleseng Local Municipality has been charged with contravention of environmental laws.

The Magistrate court imposed a penalty of R 600 000 (Six Hundred Thousand Rands) which is to be paid to the Department of Water and Sanitation and The Department of Agriculture, Rural Development, Land and Environmental Affairs for the purposes of capacity buidling and equipment for environmental management investigation inspectors as per each Department's specifications.

The court has also ruled that the municipality is ordered to compensate a local farmer a total sum of R400 000 (Four Hundred Thousand Rands) for damages of her live stock within 120 days from the court ruling.

The penalties imposed of R 600 000 and R 400 000 respectively have necessitated the municipality to adjusted its annual financial statements to reflect the liability as at 30 June 2024. The adjustment includes:

An increase in trade payables of R 1000 000 (R600 000 and R 400 000)

A corresponding expense recognised in the Statement of Financial Performance under fines and penalties within general expenses.

51. Unauthorised expenditure

Opening balance as previously reported	559 450 949	299 420 909
Add: Unauthorised expenditure - current	240 522 181	260 030 040
Less: Amount recovered - current	(170 443 720)	-
Closing balance	**629 529 410**	**559 450 949**

Unauthorised expenditure incurred relates to overspending due to the costing allocation amongst the departments.

52. Fruitless and wasteful expenditure

Opening balance as previously reported	46 740 712	39 958 544
Add: Fruitless and wasteful expenditure identified - current	29 923 868	29 086 179
Less: Council write-offs (relating to 2019, 2020)	(17 654 534)	-
Less: Council write-offs (relating to 2023)	(29 086 179)	-
Less: Council write-offs (relating to 2024)	(20 246 354)	(22 304 011)
Closing balance	**9 677 513**	**46 740 712**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure incurred relates to interest on late payment to suppliers due to cashflow which the municipality is facing and attempting to curb.

53. Irregular expenditure

Opening balance as previously reported	358 092 047	239 983 947
Correction of prior period error - understated	2 944 323	9 363 446
Correction of prior period error - overstated	(29 778 042)	-
Add: Irregular expenditure - current	22 818 310	108 744 654
Less: Amount written offs approved by Council	(114 725 526)	-
Closing balance	**239 351 112**	**358 092 047**

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	-	822 024
Amount paid - current year	-	(822 024)
	-	**-**

Other material losses		
Distribution loss- electricity	34 732 737	25 180 938
Distribution loss- Water	52 236 925	52 324 831
	86 969 662	**77 505 769**

Electricity losses

Electricity distribution losses for the current year of R 34 732 737 (2023: R25 180 938) was incurred, which represents 35.05% (2023: 28.22%). These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses

Water losses

Water losses comprises of water lost during the distribution process. These losses are made up of unauthorised connections (theft), unauthorised consumption, plus all technical and administrative inaccuracies associated with customer metering and billing as well as infrastructure which has either aged or has an overdue maintenance.The water losses amount to R 52 236 925 (2023: R52 324 831) which represents 72% (2023: 76%)

Audit fees

Opening balance	15 009 529	13 584 860
Current year subscription / fee	10 586 744	10 646 434
Amount paid - current year	(11 262 819)	(9 221 765)
	14 333 454	**15 009 529**

PAYE and UIF

Opening balance	987 537	909 538
Current year subscription / fee	13 083 689	12 060 685
Amount paid - current year	(12 910 919)	(11 982 686)
	1 160 307	**987 537**

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	1 669 896	971 492
Current year subscription / fee	21 730 702	11 867 515
Amount paid - current year	(21 531 289)	(11 169 111)
	1 869 309	**1 669 896**

The amount represents pension and medical aid contributions deducted from employees.

VAT

VAT receivable	144 389 325	112 784 101
VAT payable	(136 849 580)	(112 865 750)
	7 539 745	**(81 649)**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	2 447	39 971	42 418
Cllr Mojalefa Miya	1 281	64 107	65 388
Cllr Z Radebe	1 321	4 292	5 613
Cllr Muzikayise Makhoba	1 978	100 522	102 500
	7 027	**208 892**	**215 919**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	3 451	34 117	37 568
Cllr Mojalefa Miya	1 782	56 072	57 854
Cllr Kent Nyamade	4 042	177 339	181 381
Cllr Muzikayise Makhoba	864	8 411	9 275
Cllr Z Radebe	2 753	88 113	90 866
	12 892	**364 052**	**376 944**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr Muzikayise Makhoba	102 500	-

30 June 2023	Highest outstanding amount	Aging (in days)
Cllr Kent Nyamade	181 381	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	19 722 446	22 841 205

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Details of the current year supply chain deviations

Supplier	Description	Amount
El roi and projects pty ltd	Fixing of cat tlb kbb 077mp	89 965
Auto City	Remove and replace Gear Cables for DRW 249MP	4 354
Increcorp	Fixing of Nissan UD 80 Water Truck Porp Shaft centre bearing Universal Joint plus Installing 10 x Tyre 12R 22.5	23 920
BHNG	Supply and delivery of water materilas	448 781
Tlotlo Lebone Trading Enterprise	Hiring of a heavy duty vacuum sewer truck capable of reacheng the depth of 5-20 meter for 31 days	439 100
Increcorp	Fixing of Nissan UD Truck ,Electrical failures Replacement of right hand side mirror broken .Fuso FFX 099 MP Mechanical fault breaking system and handbrake system not functional	107 813
Lamla Engineering	Hiring of 3 x Portable water tanks	891 779
Zamaswazi Vehicle Centre	Fixing of DRW 263MP	14 406
Phakama Industrial	Hiring of a ash Truck	298 253
Phakama Industrial	Hiring of Water Truck	208 035
Tlotlo Lebone Trading Enterprise	Hiring of a Heavy Duty Vacuum Truck	270 000
Modabee Projects Pty Ltd	Hiring of Waste Truck	22 200
Zamaswazi Vehicle Centre	Fixing of Nissan Bakkie DYP 044MP	31 356
Sbushi Semaswati Trading	Hiring of a Water Truck	205 160
Increcorp	Fixing of Volvo Grader coolant Bottle need replacement and 2 x Side Driver need Windscreen	82 745
Shariffs Balfour t/a Balfour Super quick	Vehicle Repairs	43 667
El roi and projects pty ltd	Repairing of Volvo FDL 460MP	176 345
Dj motors fuel and services	Fixing of Nissan Ash Truck KTF 725 MP	42 263
Zamaswazi Vehicle Centre	Fixing of Bakkie DPY 053MP	21 515
Shariffs Balfour t/a Balfour Super quick	Repairs for various municipal Vehicles	34 983

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

D j Motors Fuel services	Fixing of np300 JDR 014 MP	1 055
Mpophoma Construction	Hiring of a cherry picker for 5 months	552 000
Dj motors fuel and services	Fixing of Water Truck DYP 887 MP	37 940
Dj motors fuel and services	Fixing of 1 x front right leafspring centre bolt broken; 4 x u bolt 4 x u bolts and 4 x lock washer	32 224
Shariffs Balfour t/a Balfour Super quick	Service ,wheel alignment ,front brake pad, Adjust hand brake,Head Lamp not working ,hooter not working and replacement of windscreen,Service ,wheel alignment ,front brake pad, Adjust hand brake,Head Lamp not working ,hooter not working and replacement of windscreen	216 965
Lamla Engineering Pty Ltd	Hiring of portable water tanks for 190 hours	180 550
Shariffs Balfour t/a Balfour Super quick	Hiring of speakers car	784 764
Thabiso Dibuseng	Hiring of a Portable Water Tank	47 995
Tlotlo Lebone Trading Enterprise	Hiring of heavy duty Vaccum sewer truck	340 200
Increcorp	Fixing of Nissan Water DYP 887 MP	101 200
Tlotlo and Lebone Trading	Hiring Of Vacuum Truck	386 260
Auto City	Fixing of NP 300 JDR 914 MP	4 954
M3L Trading	Supply and delivery of water materilas	61 634
Increcorp	Fixing of FFX 099 MP	155 538
Workshop Electronics	Calibration of grade a vehicle testing station	17 196
Lamla Engineering Pty Ltd	Hiring o Portable Water Tankers x 4	1 174 334
Shariffs Balfour t/a Balfour Super quick	Repairs for various municipal Vehicles	53 264
Hv Test Academy Pty Ltd	Training for Electrical Team	49 384
Zamaswazi Vehicle Centre	Fixing of FFV TOYOTA Corolla	36 447
Auto City	Fixing of Nissan Tiida (DRW 249 Mp)	18 633
Mpophoma Construction	Hiring of a cherry picker for 5 months	529 000
Mpophoma Construction	Hiring of Tipper Truck for 5 months	448 750
Tlotlo Lebone Trading Enterprise	Hiring of heavy duty Vaccum sewer truck	456 500
Moleli Construction	Events and catering service	41 860
M3L Trading	Supply and delivery of water materilas	97 952

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Litotech	Supply and delivery of 500 Sec 56 Law Enforcement books	93 783
Lamla Engineering	Hiring of Portable water tankers	306 100
Dj Motors Fuel and services	Fixing of Nissan Ud Truck 290 KFT 725 MP	26 778
Truvelo Manufactures	Calibration of grade a vehicle testing station	5 750
El roi and projects pty ltd	Fixing of FBC 908MP	157 211
Zamaswazi Vehicle centre	Repairing of Nissan UD 80 Ash Truck (FFX 099 MP)	17 130
Truck and Earthing moving	4 x tyres ,2 x air cleaner , 1 x right cylinder seal leaking ,2 x fan belt need replacement	28 050
Shariffs Balfour t/a Balfour Super quick	Hiring of water truck 16000L	529 920
Truck and Earthing moving	1 x hydraulic pipe replacement leaking oil and 2 x clamps	142 800
Increcorp	Repairing Replacement diesel tank	79 112
Increcorp	1x front right leafspring need replacement and U bolt ,Service all filters hydraulic filter ,front shocks and front brake pads	100 973
Bidvest Mccarty Isuzu	Repairing and adjust breaking system and sercive	69 993
Shariffs Balfour t/a Balfour Super quick	Supply and installation of thyre wheel balancing and wheel alignment ;battrey ,rim locking ,tyre fill and valve;Water truck repair tyres ,tyre repair bakkie,tyre repair isuzu;	108 471
Shariffs Balfour t/a Balfour Super quick	Hiring of 2 water truck for 30 days in january	529 920
Tlotlo Lebone Trading Enterprise	Hiring of Honey Vacuum Truck	421 200
Lamla Enginnering	Hiring of a portable water tank for 15 days	762 105
Zamaswazi Vehicle Centre	Fixing of DPY 053MP Bakkie ,replacement of carrier bearing ,replacement of U Joints ,diesel filter and sundries	10 700
Increcorp	Fixing of mercedes tipper truck	149 500
Lamla Engineering	Hiring of 3 x Portable water tanks	654 465
Lamla Engineering	Hiring of Portable water tankers	704 145
Shariffs Balfour t/a Balfour Super quick	Replacement and installation of tryres	138 529
Vpg Enterprise	Hiring of Waste Truck	243 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Shariffs Balfour t/a Balfour Super quick	Hiring of a Tlb abd Roller Machine for a periof of thirty days	310 500
M3L Trading	Supply and delivery of 10 302-318 coupling long barrel	41 090
Fix Xem Panel Beaters	Transport Repai , Install generator at siyathemba resevoir	456 018
Lamla Engineering	Hiring of a vacuum truck for thirty days	81 000
Lamla Engineering	Hiring og portable water tankers	226 435
Gert Sibande College	Training of Electrical Trade test APRL for Electricians	96 000
Hv Test Academy Pty Ltd	Training of Electrical Trade test APRL for Electricians	121 544
Avenya Pty Ltd	Fixing of TLB Volvo FDJ 460MP	63 447
Auto City Group	Fixing of accelerate and diagnostic machine for trauble code	38 117
Truck and earthing moving	Replace selector solonoid and electronic fuel pump check operations	46 700
Mpumalanga Traffic Training	Training for examiner of motor vehicle	34 860
Isuzu motors SA	Service and fixing of isuzu fyc 256mp aircorn adjust handbreak	137 762
Glapatham Lesedi Services	Fault Wiring and repairing of cat TLB	56 680
Sinhla Construction	Supply and delivery of 100 tons of agregate 50 tons Crusher Dust ,200 litres parrafin	214 301
Shariffs Balfour t/a Balfour Super quick	Hiring of excavator for 30 days	230 140
Bidvest Mccathy Isuzu	Servicing of of KTF725MP TRUCK	178 805
Auto city	Servicing of Bakkie np 300 JDR 914 MP ,Check brakes ,handbrake and lights	4 888
Truck and earthing moving	Fixing of DYP 887 MP	118 300
Auto Ren Toyota	Fixing of FFV TOYOTA Corolla	38 640
Brothers and sister Auto electrician	centre bearing noisy , 3 U universal joint	55 950
M3L Trading	4 Cascade clamps CRI-1220-12	14 847
Lamla Engineering	Hiring of Portable water tankers	119 313
Malaka Supplies	Supply and delivery of water materilas	38 616
Shariffs Balfour t/a Balfour Super quick	Hiring of a water truck	529 920

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Brothers and sisters auto ekectrical	Fixing of DPY 044MP 3 x universal joints ,centre bearing windscreen 4 tyres and wheel alighment	43 000
Zamaswazi Vehicle Centre	Fixing of nissan bakkie DJJ 114 MP	36 543
Truck and earthing moving	Major service , engile oil ,gearbox oil,fuel filter ,oil filter aircorn filter differential diff oil	65 500
Shariffs Balfour t/a Balfour Super quick	Hiring of18000 Litre Heavy duty sewer truck capable of sucking and jetting for a period of 1 month	504 965
Lamla Engineering	Hiring of a portable water tanker	505 425
Lamla Engineering	Hiring of a portable water tanker	119 313
Malaka Supplies	Supply and delivery of water materials	83 909
Toyota South Africa	Repairing of FFV	38 640
Isuzu motors SA	Servicing of ISUZU KB 746 MP ;Clutch plate ,pressure plate globe ,release bearing and skim flywheel	23 209
Libembe Projects & supplies	Supply ,Delivery of iron forge ,extension cord reel,Vertical water storage tank jojo tank capacity 5250 litres colour greening and hiring of Generators	108 900
M3L Trading	Supply and delivery of water materilas	183 100
Maktech Enterprise	Supply and delivery of Laptop	40 200
Zamasawzi Vehicle centre and projects	Repairing of Nissan Bakkie DJJ 114MP	36 543
D j Motors Fuel services	Repairing of FFX water truck	106 867
Cascade Manufactures & Dist	Supply and delivery of water materilas	9 585
		19 722 446

55. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

55. Segment information (continued)

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.
Activities relating to Finance and Administration, Executive and Council and Planning and Development fall under unallocated.

The four key business units comprise of:

- Community which includes cemetries, community halls & parks and libraries.
- Public safety which includes licensing and control of animals, police forces, traffic and street parking control.
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Roads which includes roads services.

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	(154 068 305)	(238 552)	(4 447 519)	-	(2 056 474)	(160 810 850)
Revenue from non-exchange transactions	(1 156 000)	(4 632)	(31 208 945)	-	(306 599 304)	(338 968 881)
Total segment revenue	**(155 224 305)**	**(243 184)**	**(35 656 464)**	**-**	**(308 655 778)**	**(499 779 731)**
Entity's revenue						**(499 779 731)**
Expenditure						
Employee related costs	20 366 478	7 930 655	6 036 874	3 035 394	47 326 637	84 696 038
Remuneration for councillors	-	-	-	-	6 993 098	6 993 098
Depreciation and Amortisation	21 088 273	2 393 207	-	3 431 220	1 664 175	28 576 875
Impairment	981 617	-	-	-	4 213 190	5 194 807
Finance costs	7 641 206	-	-	-	28 359 845	36 001 051
Lease rentals on operating lease	-	-	-	-	443 810	443 810
Debt impairment	1 871 987	-	-	-	84 826 365	86 698 352
Bulk purchases	98 064 910	-	-	-	-	98 064 910
Contracted services	26 620 371	13 529 592	9 929	-	25 641 544	65 801 436
Loss on disposal of asset	1 783 101	795 121	-	31 631	53 123	2 662 976
Inventory consumed	38 812 711	655 359	-	440 808	322 664	40 231 542
General expenses	(1 313)	85 156	332 231	-	25 852 561	26 268 635
Total segment expenditure	**217 229 341**	**25 389 090**	**6 379 034**	**6 939 053**	**225 697 012**	**481 633 530**
Total segmental surplus/(deficit)						**(981 413 261)**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and Cash equivalents	(28 956 870)	(93 978 620)	109 869 160	(83 987 917)	101 428 880	4 374 633
Inventories	196 611	-	-	-	(35 051)	161 560
Receivables from exchange transactions	55 948 606	-	-	-	127 337 885	183 286 491
Receivables from non-exchange transactions	8 388 920	-	9 464 900	-	25 995 042	43 848 862
Vat Receivables	71 525 992	11 224 933	(32 647 008)	11 006 428	(53 570 599)	7 539 746
Investment Property	-	-	-	-	39 356 091	39 356 091
Property, Plant and Equipment	611 465 217	(24 917 735)	-	(50 958 569)	522 744 480	1 058 333 393
Intangible assets	-	-	-	-	88 868	88 868
Total segment assets	**718 568 476**	**(107 671 422)**	**86 687 052**	**(123 940 058)**	**763 345 596**	**1 336 989 644**
Total assets as per Statement of financial Position						**1 336 989 644**
Liabilities						
Consumer deposits	50 071	-	-	-	(3 057 095)	(3 007 024)
Payables from exchange transactions	(301 367 585)	(29 138 495)	(54 113 200)	(26 698 746)	(129 615 657)	(540 933 683)
Provisions	(62 194 617)	-	-	-	(86 536 363)	(148 730 980)
Employee benefit obligation	-	-	-	-	(15 765 000)	(15 765 000)
Total segment liabilities	**(363 512 131)**	**(29 138 495)**	**(54 113 200)**	**(26 698 746)**	**(234 974 115)**	**(708 436 687)**
Total liabilities as per Statement of financial Position						**(708 436 687)**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2023

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	131 519 743	134 921	6 485 545	-	16 387 243	154 527 452
Revenue from non-exchange transactions	88 259 375	-	2 680 249	-	181 160 373	272 099 997
Total segment revenue	**219 779 118**	**134 921**	**9 165 794**	**-**	**197 547 616**	**426 627 449**
Entity's revenue						**426 627 449**
Expenditure						
Employee related costs	19 186 889	8 281 769	5 547 099	2 895 325	40 572 015	76 483 097
Remuneration of councillors	-	-	-	-	5 748 031	5 748 031
Depreciation and Amortisation	21 606 859	2 505 208	-	2 957 451	1 286 781	28 356 299
Impairment	3 124 396	-	-	-	14 163 542	17 287 938
Finance costs	7 033 191	-	-	-	29 085 645	36 118 836
Lease rentals on operating lease	194 500	-	-	-	407 808	602 308
Debt impairment	-	-	-	-	175 308 285	175 308 285
Bulk Purchases	89 614 974	-	-	-	-	89 614 974
Contracted services	18 106 141	12 418 162	-	187 181	23 517 988	54 229 472
Loss on disposal of assets and liabilities	1 111 366	645 642	-	-	-	1 757 008
Inventory consumed	64 073 968	496 258	-	1 111 333	261 410	65 942 969
General expenses	(4 270 440)	110 676	293 760	58 430	27 491 524	23 683 950
Total segment expenditure	**219 781 844**	**24 457 715**	**5 840 859**	**7 209 720**	**317 843 029**	**575 133 167**
Total segmental surplus/(deficit)						**(148 505 718)**

55. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and Cash equivalents	(35 469 728)	(78 897 186)	90 082 210	(68 642 947)	106 295 042	13 367 391
Receivables from exchange transactions	32 073 706	-	-	-	118 736 768	150 810 474
Receivables from non-exchange transactions	8 388 920	-	7 996 110	-	28 987 880	45 372 910
Inventories	208 477	-	-	-	(35 051)	173 426
Investment property	-	-	-	-	39 160 289	39 160 289
Property, plant and equipment	506 013 688	(26 139 519)	-	(66 967 608)	538 648 351	951 554 912
Intangible assets	-	-	-	-	92 428	92 428
Total segment assets	**511 215 063**	**(105 036 705)**	**98 078 320**	**(135 610 555)**	**831 885 707**	**1 200 531 830**
Total assets as per Statement of financial Position						**1 200 531 830**
Liabilities						
Payables from exchange transactions	(229 751 944)	(20 344 531)	(35 960 813)	(22 353 933)	(110 946 695)	(419 357 916)
VAT Payable	6 729 102	9 574 713	(26 423 143)	8 964 326	1 073 350	(81 652)
Consumer deposits	45 991	-	-	-	(2 990 237)	(2 944 246)
Unspent conditional grants and receipts	60 975 350	(66 725 350)	-	-	-	(5 750 000)
Provisions	(63 194 676)	-	-	-	(78 895 157)	(142 089 833)
Employee benefit obligation	-	-	-	-	(15 393 000)	(15 393 000)
Other financial liabilities	-	-	-	-	(4 509 529)	(4 509 529)
Total segment liabilities	**(225 196 177)**	**(77 495 168)**	**(62 383 956)**	**(13 389 607)**	**(211 661 268)**	**(590 126 176)**
Total liabilities as per Statement of financial Position						**(590 126 176)**

56. Budget differences

Material differences between budget and actual amounts

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters.The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

56. Budget differences (continued)

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanation of differences identified:

Differences between budget and actual amounts basis of preparation and presentation

Employee related costs

The over performance was due to the excessive overtime which was worked. The overtime has been referred to MPAC for investigation.

Finance charges

Over performances is due to interest charged on the bulk purchases.r

Depreciation

Due to the collection trends, The Municipality anticipated a low collection rate during the budget process..

Inventory consumed & bulk purchases

The over performance on inventory consumed and bulk purchases is due an increase in water chemical purchases for improved water quality.

Other expenditure

The over performance on other expenditure is as a result of increased and more realistic impairment estimations which were informed by payment analysis.

Balance sheet

Current Assets

The under performance is due to impairment as well as write offs of debtors. The Municipality also ended the period under review with a lower cash balance anticipated.

Non-Current Assets

The increase in non-current assets is attributed to the increase in the fair value valuation in the current year. There were also capital infrastructure which was donated/transferred to the municipality.

Current liabilities
The variance within current liabilities is due to cash flow constraints which the municipality experienced in the current year which led to delayed payment to suppliers and an increased debt book at reporting date.

Changes from the approved budget to the final budget

Figures in Rand	2024	2023

56. Budget differences (continued)

Employee related cost

The decrease in employee related costs were due to vacancies which had not been filled.

Debt Impairment

During the financial year under review, the municpality made use of debt collection services on outstanding debtors. There was an anticipation of a higher collection rate. This led to a decrease in the estimated impairment of debtors.

Finance charges

The increase in finance cost was due to cash flow constraints. Through trend analysis within the first six months of the financial year, the municipality had been charged with interest on late payments. This prompted the increase in finance costs.

Bulk Purchases and inventory consumed

The increase in bulk purchases was informed through the analysis of expenditure during the first six months of the financial year. The municipality experienced a spike in cable theft. The frequency of purchases of water chemicals led to an increase in inventory consumed.

57. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has a payable to the Department of Community Safety, Security and Liaison.

The expected timing of remittance of resources from the prinicpal is on a monthly basis

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is (2024: R3 632 434) (2023: R5 456 743).

Dipaleseng Local Municipality entered into transaction with the Department of Community Safety, Security and Liaison through the Licencing operations which run through the financial year where the Municipality earns a commission of 20% and payment over 80% to the Department.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Ontec Systems (Pty) Ltd sells prepaid electricity on behalf of the Municipality.

The municipality has no receivable from Ontec Pty (Ltd) for vending of prepaid electricity.

The expected timing of remittance of resources by the agent to the Municipality is on a monthly basis.

Ontec Systems (Pty) Ltd will use its own equipment and software to management the vending of prepaid electricity. The system will ensure a 24-hour platform for prepaid electricity purchase 7 days a week of the month which enhances revenue to the Municipality.

Significant changes

There were no significant changes in the terms and conditions of the agreement between the Municipality and Ontec (Pty) Ltd during the year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

57. Accounting by principals and agents (continued)

Fee paid

Fee paid as compensation to the agent	943 461	739 702

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Either party may terminate the contract if the other party fails to cure any material breach of the contract within 30 days of written notice.

Unless the agreement is terminated on account of a breach by the Municipality Ontec shall use commercially reasonable efforts to transition to a new service provider.

58. Change in estimate

Property, plant and equipment

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is and decrease in the depreciation charges for the current period of 2024:R866 653,00.